Gowers Review of Intellectual Property: UNICO response

We welcome the government's attention to the issue of IPR which is timely and appropriate given the emphasis for the UK on innovation, through both Budget 2006 and the Science and Innovation Framework.

General questions

1. How IP is awarded

(a) On the surface the obtaining of IPR in the UK appears simple. However in practice it is more complex. The steps are complex for the inexperienced and for those with a portfolio of applications it is necessary to actively manage. Despite this, the system has been designed to support the inventor and to ensure that the applicant can make decisions at various points, such as Search Report for patent several other countries, which would permit speculative filing in advance of scholarly publication and opportunity to explore the market would be attractive. (Note, the "grace period" is different from the first-to-invent rule in USA). We favour a Grace Period on protection where a premature disclosure by the inventor has inadvertently lost the right to protection, rather than as part of a deliberate strategy to allow market research.

(b)

(c) Cost is a barrier to obtaining UK patent rights. Although first filing is free, the costs of prosecution ramp up as can fees post grant. For universities seeking to protect a number of early stage innovations, the cumulative costs may be such that often a very limited number of IP opportunities are protected and/or inventions are out licensed at an early stage when the underlying invention is immature and of low value, in order to pass on IP costs. However in order to have a patent application of any merit it is necessary to file a detailed and well written specification at the outset and this requires legal help. This is the real financial hurdle. UK protection alone is not sufficient and the costs of prosecution internationally are also a barrier.

(d) UK costs compare well with overseas costs. However it is worth noting that to encourage IP protection, Japan has recently decided to reduce fees for university IP.

(e)

(f) In the university sector we use a balance of methods to engage with and promote uptake of innovation. Much is achieved through open collaboration with academics and industry. However in many situations, in order to capture value in IP and encourage uptake through licensing it is essential that we protect IP.

(g) A challenge ion the academic sector is the collaborative nature of research and the need to publish results. This means that we need to file patent applications early and publish soon after which may compromise the scope of our IP coverage and ability to generate an IP strategy.

(h)

(i) The system for awarding IP works well within the UK however more resources could be used in the search process for patent applications to speed up results and allow decisions to be taken by applications at an early stage. Currently there is no guarantee that a Search Report will be issued before the end of the priority year. The European system is complex with the need for translation and individual countries awarding IP. The variety of systems internationally make the process of managing international IP complex and time consuming.

2. How IP is used

(a) Within the university sector al forms of rights are used. Within STEM, patent protection is the main form. Within the creative and cultural sectors Trademarks, Design and Copyrights are also used. Occasionally we use copyright.
(b) Multiple overlapping forms of IP protection may occasionally be used
(c)
(d) Valuation of IP is against benchmarks plus usual financial calculations (CDF,NPV). However the nature of academic invention is usually early stage hence valuation includes a number of factor other that tangible protected IP such as know-how and potential for the IP.
(e) Within the pharmaceutical sector, given the time taken to bring a drug to market set against the early stage of university IP the term of patent rights may affect decisions by potential licensees to take up the opportunity and where licensed can result in low returns or a brief window of return to the originator.
(f) We are not convinced that the UK IP system directly promotes innovation. It would be helpful for the UK Patent office to publish a searchable database of granted patents – these are currently only available via the British Library or through subscription services.
(g) The university sector makes good use of other government schemes to encourage innovations such as HEIF, KTPS etc
(h) Correctly sourced data on use of IP can provide a useful measure of innovation provided the data look to outcomes rather than input.
(i)
(j) In the university sector we do not consider the defensive use of IP rights appropriate as our objective is to ensure that the research outputs of the university can be used for public benefit. However it is noted that in some sectors barriers to entry may be high due to a limited number of companies holding a monopoly on IPR.

3. How is IP licensed and exchanged?

(a) Ability to negotiate licenses depends on acceptability of terms offered and third parties marketing strategy.
(b) Licensing partners are sought through a variety of routes: in-house contacts and databases, market research, partnering meetings, use of web-based licensing opportunity tools
(c) The number of patents granted for research tools means that universities are increasingly required to take licenses to use IPR – an extra expense pf conducting academic research. Some companies are pursuing academic institutions for research exemption type issues and a number of institutions have had to take expensive legal advice.
(d) No comments
(e) Licensees will assess the cost of managing IPR as a component to decision making however in our experience this is a minor part of the consideration which also takes into account the cost of the licence itself and cost to develop the IP in-house against likely returns. Cost of IP however does influence whether a company will continue to prosecute IP if they have found other ways to protect the concept once in-licensed – hence returns to the university can be diminished.
(f) Licensing IP is active within the university sectors
(g) IP will be exchanged as part of consortium agreements e.g. EU Framework programmes. IP may be pooled across universities where it arises from collaboration and the pooled IP may then be out-licensed.
(h) It is possible for companies with portfolios of IPR to work together to effectively exclude smaller players gaining market entry. However market adoption of new innovations is also a factor.
(i) IP is an internationally traded commodity
(j) We tend not to use licence of right provision
(k)
(l)

4. How IP is challenged and enforced

Enforcing IP is a relatively new area for universities and is most often used with respect to design rights and copyright in the creative sectors. In the case of patents, enforcement is usually this is undertaken by the licensee to the original IPR.

Specific issues

Patents – utility mode

We can see some advantages to adopting the "utility model" as this would have a role where industrial design rights are not sufficient or appropriate and might allow products to reach market more rapidly.

Pharmaceutical Supplementary Protection Certificates (SPCs)

Given the time taken for drugs to reach the market the use of SPCs would seem appropriate.

Current term of protection on sound recordings and performers' rights

The rationale behind copyright is to promote creativity and innovation in artistic disciplines such as film, music, recording, etc. The current fifty-year term is a balance between a suitable reward for the artist to protect his creative labours and the social cost to the public by imposing a monopoly right on the artist's work. An extension in term tilts that balance in the favour of the artist or rights holder whilst ignoring the interests of society.

The current 50 year term is a reasonable balance between the interests of the rights holder (e.g. record companies) and those of the public.

(a) Is there evidence to show the impact that a change in term would have on investment, creativity, and consumer interests?

Again, the rationale behind copyright was never intended to maximise investment. Extending copyright could deny the public the benefit of works for many more years. What incentive is there for people to invest in new works if they can exploit existing works for longer?

(b) Are you aware of the impact that different lengths of term have had on investment, creativity, and consumer interests in other countries?

Some argue that the US currently has an advantage over Europe in terms of investment, as US copyright lasts longer but we are unsure as to whether evidence exist to demonstrate that this is more valuable to the consumer.

(c) Are there alternative arrangements that could accompany an extension of term (e.g. licence of right for any extended term)?

Once the term expires, then the owner has enjoyed the benefit of the monopoly right. It is then only fair that the public is allowed to use the work free of charge and without undue hindrance as the public benefit must be considered here too. We believe that there is too much emphasis being placed on this extension of term.

(d) If term were to be extended, should it be extended retrospectively (for existing works) or solely for new creations?

We believe there is no reason for extending term retrospectively.

Copyright exceptions – fair use/fair dealing

(a) What are your views on the current exceptions in copyright law?

An important factor behind amendments to the copyright exceptions is the fact that many of these existing exceptions can only now be relied upon if they are used in activities that are non-commercial in purpose. Any copying that is for a commercial purpose will not now be covered by this exception. We are concerned that many universities will now have to investigate/take out licences from appropriate licensing organisations to ensure their copying for research purposes is not infringing any rights. This will inflate costs to the research base at the detriment of genuine research activity.

(b) Could more be done to clarify the various exemptions?

The CDPA 88 has numerous exceptions covering a wide range and scope of issues. Some form of guidance on these would be welcome as it is unclear which exemptions are from EC Directives nor their overall aim.

(c) *Are there other areas where copyright exceptions should apply?*

Only one copy may be made of a copyright work under the fair dealing exemptions. However, as most digital technologies make transient copies, it is likely that more than one copy would be made during such use. It would be welcomed if there were some provision for deciding whether such copies would be excluded.

(d) *Are the current exceptions adequate or in need of updating to reflect technological change?*
The existing exceptions should apply to the digital environment, but are currently drafted in such a manner as to render them unclear when applied to modern technology. For example, the rationale behind an exception may apply to a print/analogue use but it may be unclear whether the application extends to a digital use.

(e) How would you see content owners being compensated for such use?
There have been trials of a levy scheme on blank recording media in Canada and several other countries. However we are uncertain of its merit at this time.

(f) *To what extent has technological change presented difficulties in use of copyrighted material in the field of education?*

Universities are exempt from liability for certain specified activities, but there is a lack of clarity on how these provisions apply in the digital environment. For example, (i) digitisation of material for preservation purposes by libraries and archives (ii) making available and communicating copyright material in digital format by universities, libraries and archives.

(g) Are there issues concerning the archiving of material covered by copyright?
Again, clarification as to whether the current exemptions could be interpreted as applying to digital technology.

Copyright – digital rights management

(a) Do you have a view on how the use of digital rights management technologies should be regulated?

DRM seems to be moving away from the realms of copyright law and more towards contract law as a means of controlling the permitted uses which a consumer has available to them. Overly restrictive user contracts may not achieve the main objectives to ensure that consumers should have broad leeway to use legally purchased music and video for personal and non-commercial purposes as long as they do not engage in mass distribution. DRM systems should be used to protect the legitimate rights of the record companies, but not to prejudice the rationale of the digital media, which is to allow a flexible use of the music and video clips by consumers.

Legal Sanctions on IP infringement

(a) Are you aware of any inconsistencies or inadequacies in the way the law applies legal sanctions to infringement of different forms of IP or to different circumstance?

There are currently four different options available to protect designs (registered design, design right, copyright and trade marks). There is a lack of consistency in the remedies available, especially given that design right protection has no criminal sanctions available as a remedy which means there is no effective deterrent to infringement.

(b) For example, should criminal sanctions on online infringement be the same as those relating to physical infringement?

Infringements per se should be treated as criminal offences, irrespective of the medium through which the infringement occurs or takes place.